

KEY SUPPLIER MANAGEMENT: BARRIERS TO THE “KEY SUPPLIERIZATION” OF THE FIRM

Ohannes Missirilian^{1*}, Catherine Pardo², Philippe Portier², Robert Salle²

¹*Artus Associates / EMLYON Business School
8, Chemin Rieu, 1211 Genève – Switzerland
Corresponding author

²*EMLYON Business School – 23, avenue Guy de Collongue
69134 Ecully Cedex – France*

Work-in-progress Paper

ABSTRACT

Purpose of the paper:

The paper deals with KSM (Key Supplier Management) which is the creation of a new mission (thus the creation of a new job, new practices, etc.) in a company so as to manage suppliers. KSM involves coordinating the company's information and action in time and space in relation to an identified supplier in its entirety. The whole objective of KSM is to enable a company to generate an increased relational value (Henneberg *et al.*, 2009; Pardo *et al.*, 2006) compared with the one that could be forecasted with a “traditional management of suppliers”. Compared to what has happened with KAM on the marketing side of the company, KSM, on the purchasing side seems to encounter important difficulties relative to its implementation. The purpose of this paper is then to consider the existence of specific barriers the implementation of KSM.

Research method:

In-depth interviews are conducted with 33 respondents within the purchasing functions of 10 multinational companies belonging to different industries using semi-structured interview following the structure used by Missirilian and Calvi (2004), which is based on the works from Homburg *et al.* (2002).

Research findings:

The paper identifies three main obstacles that appear as more or less strong barriers to an easy implementation of key supply management. *1st barrier*: the difficulty in implementing suppliers portfolios; *2^d barrier*: the narrow view of levers of value creation with suppliers; *3rd barrier*: the everlasting lack of purchasing integration with other internal functions.

Main contribution:

The paper proposes the idea of an asymmetry between purchasing and marketing situations. From a theoretical point of view the paper contributes to enriching scarce knowledge about KSM. Adopting a managerial point of view, the paper suggests a KSM position within the company that should be distinguished from the purchasing position and should appear as “an additional layer” in the organization.

Keywords:

Purchasing, key supply management, organization

ABSTRACT

As an echo of Pardo et al's (1995) paper entitled "The key accountization of the firm", which was dealing with Key Account Management, this work-in-progress tackles, this time, the phenomenon of Key Supply Management in business companies. Research on KSM is scarce and this particular research aims at building knowledge on this largely overlooked topic. The whole survey centers on specific organizational aspects of purchasing by concentrating on the implementation of key supply management (KSM). On the basis of 33 in-depth interviews with purchasing managers of multinational companies. This work-in-progress provides intermediary findings of the whole survey by concentrating on the obstacles that make it difficult for a firm to implement KSM. The paper identifies three main obstacles and develops the idea of an asymmetry between purchasing and marketing situations.

INTRODUCTION

According to Hakansson and Snehota (1995) "*a limited number of relationships have a profound effect on a company's performance. Market performance of a company is dependent on the functioning of its relationships to others; volume, market share, profits and growth depend on how the company handles its relationships*" (p. 11). Ivens et al (2009) as for them, use the term "*keyness*" to describe a set of relationships which are highly contributive to a company position within a network. The authors underline the role of organizational support for the management of such relationships: "*in the case of key relationships, part of this organization relies on the creation of a specific role – whether it is a key account manager, a key supplier manager or an alliance partner manager*" (p. 518). Among the practices described by these authors, key account management (KAM) - i.e. dedicated activities, actors and resources for an identified set of customers – is certainly the most widespread (Homburg, Workman and Jensen, 2002; Pardo, Salle and Spencer, 1995; Workman, Homburg and Jensen, 2003). From two decades now, in Europe, KAM has been expanding and the key account manager's position is now common in many European companies (Wengler et al. 2006; Zupancic, 2008).

On the purchasing side, significant changes have also occurred. Purchasing is presented as having evolved from a *clerical* to a *strategic* dimension (Carr and Smeltzer, 1999; Cousins, 2002; Gadde and Håkansson, 1994; Ogden, Petersen, Carter and Monczka, 2005). The nature of exchanges between buying firms and suppliers is presented through its evolution from adversarial/transactional/competitive exchanges to collaborative/relational/cooperative ones (Carr and Pearson, 1999; Corsten and Felde, 2005; Gadde and Hakansson, 1994; Spekman and Carraway, 2006). Many are also the authors describing the advantages of this last evolution (Corsten and Felde, 2005; Dyer, 1996; Harland, Lamming and Cousins, 1999; Hartmann, Ritter and Gemuenden, 2001; Matthyssens and van den Bulte, 1994). Different works have nevertheless insisted on the idea that *not all exchanges* with suppliers should evolve towards relationships (Corsten and Felde, 2005; Gadde and Snehota, 2000) and have underlined that a "*company can be highly involved with only a limited number of suppliers and needs a variety of relationships—each providing its different benefits*" (Gadde and Snehota, 2000, p. 305).

One can raise the hypothesis that organizational structures similar to KAM are then going to widespread on the purchasing side thus following the evolution witnessed on the marketing side. But empirical observations tend to prove that key supply management (KSM) is far from being a common managerial practice within companies. A recent survey carried out by McKinsey thus indicates: "*our survey of chief procurement officers (CPOs) suggest that the role of purchasing at many companies hasn't evolved much beyond the function's narrow, transactional roots as a buyer of materials, components and services*" (Hardt, Reinecke and Spiller, 2007, p. 115). Such situation was at the origin of our interest in KSM. Do specific barriers exist in the implementation of KSM? Is it really relevant to consider KSM as a mere

mirror of KAM? These were the central questions in our on-going research. Because the KSM phenomenon has not yet been clearly described in the literature, we posit, for the purpose of our research, a definition that imitates that of KAM. We define KSM as dealing with practices put in place by certain companies in which certain suppliers (here called key suppliers) receive a specific, adapted treatment (i.e. different from the one usually used for other suppliers). More specifically, this means the creation of a new mission (thus the creation of a new job, new practices, etc.) and its integration into the existing structure. This mission involves coordinating the company's information and action in time and space in relation to an identified supplier in its entirety. The whole objective of KSM is to enable a company to generate an increased relational value (Henneberg *et al.*, 2009; Pardo *et al.*, 2006) compared with the one that could be forecasted with a "traditional management of suppliers".

This paper is organized as follows. We first situate the topic of key supplier management by referring to the very few works dedicated to this specific issue. We then refer to suppliers portfolios as a theoretical landmark for KSM. The research design of our on-going research is then briefly described. We go on with the main results of our exploratory study and, finally, we conclude with a discussion of results and some implications for managerial and academic debates.

KSM IN PRACTICE AND IN ACADEMIC

AN IDENTIFIED PHENOMENON WITHIN THE PURCHASING PRACTICES

Missirilian and Calvi (2004) are acknowledged for empirical evidence of KSM in different firms. Based on an empirical study carried out within 15 Danish manufacturers, Andersen and Rask (2003) also report the existence of KSP (key supply purchasers) practices. Wagner and Johnson (2004) reporting on BPS (a multinational OEMs headquartered in Europe and specialized in high-technology and IT-production equipment) explain that "*key supplier management is used [at BPS] in the case of very carefully selected and important suppliers that are subject to extremely high demands in terms of management of core skills, market and technological leadership. In effect, this means absolute single sourcing from key suppliers and very close supplier relationships*" (Wagner and Johnson, 2004, p. 723). More generally, the examples of organizations communicating on their KSM practices are widespread. For instance AKZO-Nobel started KSM in 2008 with 20 suppliers explaining that: "*globally working together with suppliers in Key Supplier Management contributes to risk mitigation, global winning partnerships for the future, cutting-edge technology & innovation, competitive advantage versus our competitors and of course increased leverage possibilities*"¹. The same with Motorola arguing that: "*the key to [its] success has been the establishment of a corporate purchasing structure and use of key supplier management and cost cutting initiatives*"². For Tyco: "*key suppliers [are] influencing the suppliers' growth and strategic planning*"³. Numerous other examples could be found in the professional and consulting literature. Without claiming any homogeneity of the practices reported here, it is possible at least to conclude on the existence of a managerial phenomenon identified under the general label of key supplier management.

¹ http://www.akzonobel.com/system/images/AkzoNobel_Key_Supplier_Management

² http://www.purchasing.com/article/230109Motorola_leverages_its_way_to_lower_cost.php

³ http://www.purchasing.com/article/340124IT_sourcing_efforts_drive_value_for_Tyco_and_suppliers

STILL AN OVERLOOKED TOPIC OF THE PURCHASING LITERATURE

The very few authors who have identified KSM as a topic of possible interest for research in purchasing agree on the scarcity of works. Missirilian and Calvi (2004) in their attempt to propose a framework for the analysis of KSM state that they “*have not found literature that describes this function specifically*” (Missirilian and Calvi, 2004, p. 3). Andersen and Rask (2003) share a similar point of view and express their surprise that such an issue is so totally overlooked by the literature: “*there is nothing (at least to our knowledge) in the SCM or procurement management literature about [this] role in the buying organization*” (Andersen and Rask, 2003, p. 86). Ivens *et al.* (2009) arguing for an overreaching concept of “relationship keyness” mention the existence of practices labeled “*key supplier management*” that “*have been observed and described as an element of certain companies' purchasing strategy*” (Ivens, Pardo, Salle and Cova, 2009, p. 3).

KSM DEFINITION

For Missirilian and Calvi (2004) the KSM role emerges “*when buyers in the purchasing department dedicate themselves to the management of relationships with suppliers, which the company has identified as strategic*”. According to the authors those specific “*strategic suppliers*” are “*any or a combination of the following situations: (1) suppliers representing the highest spent in the company; (2) suppliers of multiple sites/divisions; (3) suppliers of several different commodities (for example, Telecom company buying microelectronic components and finished measuring instruments from the same supplier); (4) suppliers supplying the company at a global level (most of the cases the Key Supplier Manager shall work with the supplier in order to assure the needs of the different sites); (5) suppliers which are also major customers; (6) and suppliers of strategic items according to Kraljic (1983); (7) mono-source suppliers (most of the time following a supplier base reduction); etc.*” (Missirilian and Calvi, 2004, p. 2 and 3). Though calling it a different way Andersen and Rask (2003) propose that “*the KSP [key supply purchaser] will be the access point of single or selected groups of suppliers to other departments in the buying situation. The KSP is an important part of the information architecture put in place to foster a closer and tighter relationship with suppliers. This procurement job functions as a mediator, with a focus on both external and internal issues*” (Andersen and Rask, 2003, p. 93). Ivens *et al.* (2009) state that “*the KSP role consists of managing relationships with suppliers that the company has identified as being of strategic importance*” (Ivens *et al.*, 2009, p. 3).

PURCHASING PORTFOLIOS AS A FIRST STEP TOWARD KSM?

Literature on purchasing portfolios remains the most related to KSM. These works aim at classifying purchases and for some of them, panels of suppliers (Bensaou, 1999; Kraljic, 1983; Olsen and Ellram, 1997; van Weele, 2002). Kraljic's portfolio approach aims at classifying purchased items (products or services) using two dimensions: profit impact and supply risk. This analysis results then in a 2 × 2 matrix identifying four categories of purchases: bottleneck, noncritical, leverage and strategic. Each of the four categories is then associated to a specific supply strategy. Other portfolio approaches, though introducing some variations remain globally quite similar to the Kraljic's one. Hartmann, Ritter and Gemuenden (2004) provide a detailed analysis of the dimensions used (product, market, supplier and relationship characteristics) by those different portfolio approaches to provide classifications. Though subject to criticism (see for instance Gelderman and van Weele, 2005), these works remain a good first approach to the KSM issue. For instance, Gelderman and Semeijn (2006) show how the purchasing portfolio tool is used for the implementation of organizational mechanisms of knowledge transfer to local units in the purchasing side of a company (Gelderman and Semeijn, 2006, p. 215).

But, if purchasing portfolio models and KSM can be seen as two connected topics (similar to what happens in marketing with customers portfolios approaches and KAM), they cannot be considered as the same phenomenon. Purchasing portfolio models are about identifying specific sets of purchases (Kraljic, 1983) or supplier relationships (Olsen and Ellram, 1997), while KSM is about the organizational changes (by new actors, resources and activities) to support a new kind of exchanges (relational ones) with suppliers.

If we take now KSM from an organizational perspective, the theoretical background is all the more dramatically reduced... Internal organizational issues within the buying firm linked to the evolution of sourcing are seriously overlooked (Andersen and Rask, 2003; Ivens, Pardo and Tunisini, 2009; Piercy, 2009; Sheth and Sharma, 1999; Sheth, Sharma and Iyer, 2009) and we can easily notice that just a “*little research has entered into specific organizational issues, similar to what occurs on the marketing side*” (Ivens *et al.* 2009). Main purchasing organizational issues worked out by scholars deal with centralization/decentralization (Johnson and Leenders, 2001; Johnson, Leenders and Fearon, 2006; Leenders and Johnson, 2000; Rozemeijer and van Weele, 2003). Less are the works focusing on the Corporate Purchasing Officer (CPO) position (Johnson, Leenders and Fearon, 1999) and the integration of the purchasing department with other departments (Cousins and Spekman, 2003; Williams, Giunipero and Henthorne, 1994).

As a conclusion whether it is through suppliers portfolio perspective or directly through specific (scarce) KSM studies, the KSM phenomenon remains described at a very general level. Then, little is known about the nature of relationships companies are going to manage with their key suppliers or how to implement such KSM programs. We think that this is due to specific barriers that make KSM implementation different from KAM implementation. These barriers are at the core of our research program.

METHODOLOGY

The main objective of our ongoing research is to provide a better knowledge of the phenomenon of KSM that is beginning to spread within companies. Due to the quasi-absence of academic work on this topic, a qualitative methodology was chosen. It aims both at better understanding the KSM phenomenon and at identifying specific issues. The current stage of this study is based on in-depth interviews conducted with 33 respondents within the purchasing functions of 10 multinational companies during the fall of 2009. These companies belong to different industries (manufacturing of industrial goods, energy, public administration, telecommunications, cosmetics and beauty, Internet and communication...) (Table 1). All the respondents are based in France although most of their suppliers are international ones. These eight companies were chosen after discussion with their purchasing managers so as to identify the ones that indicated they were “*doing something specific with some of their suppliers*” thus using the concept of “activity intensity” as proposed by Homburg *et al.* (2002). A semi-structured interview guide is used. The structure follows the one used by Missirilian and Calvi (2004), which is based on the works from Homburg *et al.* (2002). An additional part of the guide consists of questions related to difficulties or problems encountered with the implementation of key supply management. The duration of interviews varied from 60 to 90 min. All interviews were recorded (with permission of respondents) so as to allow different scholars to get access to data and share their analyses of the described phenomena. Internal memos, articles and archival data are also collected. For the present paper we are just focusing on part of the collected material, specifically on data reporting on difficulties implementing KSM.

Table 1 – Sample

Companies and activities	Turnover 2008	Number of Key informants	Key informants positions
Company A <i>Corrective lenses</i>	3 billion euros	5	<ul style="list-style-type: none"> • Chief Sourcing Officer • International Sourcing VP • Raw Material Sourcing Manager • Purchaser • Utility Sourcing Manager
Company B <i>Industrial vehicles</i>	4,3 billion euros	7	<ul style="list-style-type: none"> • Senior Vice President Purchasing • Purchasing Management coordination director • Global Purchasing Development • Vice President Vehicle Dynamics Purchasing • Global Purchasing Manager (2) • Continental Buyer
Company C <i>Manufacturing of industrial goods</i>	6,8 billion euros	4	<ul style="list-style-type: none"> • Key supplier manager (2) • Senior Corporate Purchasing Manager • Chief Procurement Officer
Company D <i>Energy</i>	13 billion euros	4	<ul style="list-style-type: none"> • Purchasing Director • Supply chain manager • Corporate Purchaser (2)
Company E <i>Public administration</i>		7	<ul style="list-style-type: none"> • Purchasing Director • Outsourcing Manager • Purchasing Information & Communication Manager • Global Purchasing Manager (4)
Company F <i>Telecommunications</i>	13 billion euros	1	<ul style="list-style-type: none"> • Director of Strategic Suppliers
Company G <i>Cosmetics and beauty</i>	13 billion euros	2	<ul style="list-style-type: none"> • Director of Strategic Suppliers Relationships. • Director Purchasing Raw Materials
Company H <i>Internet and communication</i>	50 billion euros	1	<ul style="list-style-type: none"> • Sourcing Director
Company I <i>Pharmaceuticals</i>	32 billion euros	1	<ul style="list-style-type: none"> • Head of Procurement Intelligence
Company J <i>Chemicals</i>	4 billion euros	1	<ul style="list-style-type: none"> • Global Procurement Director

MAIN RESULTS

By focusing on the difficulties encountered by respondents in the implementation and development of KSM practices, three main ideas emerge. They appear as more or less strong barriers to an easy implementation of key supply management. We develop these three barriers hereafter.

1ST BARRIER TO KSM IMPLEMENTATION: DIFFICULTY IN IMPLEMENTING SUPPLIERS PORTFOLIOS
 Because of: (1) the very high heterogeneity of products and services bought by a company (to sell the Ipod, for instance, Apple has to source up to 250 components from different suppliers) and (2), the fact that all these components have to be available (at the right time and on the right place) to allow the company to produce and deliver its products and services (Apple cannot produce Ipod if only one component out of 250 is missing...), the relevancy of suppliers portfolios approaches is considered as being limited at the level of managerial action by the purchasing managers we met. This difficulty to enter into any kind of “hierarchy” of purchases (and even more difficult, of suppliers) hampers companies from thinking about organizational means to manage certain suppliers – which is the essence of KSM – insofar as the identification of such suppliers is too difficult to manage.

The multiplicity of situations selection criteria would have to capture to provide a useful suppliers’ hierarchy is often mentioned as a limitation for a KSM implementation:

- “Criteria depend deeply on the nature of business. One of our company businesses produces commodities and it is looking for stability with suppliers, the objective being: “never stop the plant”! But, on the opposite, if you are on innovation, your key suppliers are going to be defined in a different way” (Senior Corporate Purchasing Manager - Company C).

In certain cases, the difficulty in managing out a hierarchy of suppliers is largely dependent on the difficulty for the purchasing function to think out the relevant criteria for such a hierarchy, which is due, on turn to the limited knowledge they have about their suppliers.

- “We do lack data on our suppliers. Purchasing is far from being centralized and there is no kind of information system allowing an analysis of our suppliers portfolio” (Purchasing Director – Company E).

In other cases, if criteria exist, they are the unavoidable “spent” and “criticality” ones. Not only these criteria display their usual limits (for instance only a situation can be considered as critical, not a supplier) but most of the times they are boiled down to the only “spent” one:

- “We could have critical suppliers characterized by other criteria than “spent”. But, as everybody focuses on savings, the “spent” criterion is the only one everybody looks at!” (Utility sourcing manager – Company A).

If “criticality” is kept as an important criterion to classify suppliers, it sometimes falls short in establishing any kind of useful discrimination between suppliers: all suppliers are then considered as important ones...

- “We need each one of our suppliers” (Purchasing Director – Company A).

Other respondents mention that KSM imposes prerequisites that are already not present in their companies. This is particularly the case when they refer to the lack of strategic intents associated with already existing types of purchases:

- “Most companies lack a clear purchasing strategy per category which makes the identification of key suppliers difficult. A category strategy shall provide what the company has as objectives to that category, how the company will meet the objectives, in other words the activities required, and also which suppliers will be used to do what. Only that can decide if a KSM approach is adapted to the objectives fixed” (Senior Vice President Purchasing – Company B).

One can find similarities between these comments and the discussion on suppliers portfolio put forward by Gelderman and van Weele (2005). The authors clearly establish that “*purchasing portfolio usage is associated with purchasing sophistication*” as the main result of their empirical study. They also largely discuss the fact that those portfolios approaches need, to be implemented, a set of prerequisites: “*application of purchasing portfolio techniques requires skills extending beyond traditional administrative competences. In addition, the purchasing needs to have a clear presence and position within the organizational hierarchy*” (p. 25). Thus, suppliers portfolios are techniques relying over certain capabilities and conditions, that, we can guess, are not automatically gathered within a firm. Another interesting parallel can be done between our respondents’ comments and the work from Caniëls and Gelderman (2007). The authors acknowledge the widespread use of suppliers matrices by practitioners: “*Currently, Kraljic’s matrix is widely used by purchasing professionals [and] has received large-scale recognition and has attained an increasing degree of adoption*” (Caniëls and Gelderman, 2007, p. 220). But at the same time the authors criticize the limited use of power/dependence analysis these portfolios approaches enable. Yet, such an analysis could provide good insights so as to define the nature of “links” (Hartmann *et al.* 2005) to establish with suppliers. Thus, whether it is because suppliers portfolios approaches lack appropriate context of implementation (because of a lack of skills or a weak organizational position of the purchasing function) or because the approaches *per se* cannot provide all information about how to think out the different kinds of links to be established with suppliers, it results that the hierarchy of suppliers is not always easy to establish or always fully satisfactory when established. As KSM needs a portfolio approach as prerequisite, this can explain why KSM appears so difficult to implement within the companies of our sample.

2ND BARRIER TO KSM IMPLEMENTATION: A NARROW VIEW OF LEVERS OF VALUE CREATION WITH SUPPLIERS

The vision of a supplier relationship as a possible source of value is questioned by the purchasing managers from our sample, or, more precisely, the means to be used in order to implement such value creation with suppliers are largely ignored. This does not favor a KSM orientation, the prime objective of which is to make new types of value creation possible

between buyer and seller (Henneberg *et al.*, 2009; Pardo *et al.* 2006). Our study reveals different reasons for such a position. Purchasing managers in their majority feel they already create value insofar as they manage to maintain a certain level of competition between their different suppliers. Thus, managing a certain distance between a company and its suppliers appears to be the most adapted type of governance. Furthermore, purchasing managers display a high sensitivity to the risk of dependence and consider it to be much more determining than for the marketing side. In-depth relationships are primarily seen as risky relationships:

- *“In case of dependency (for example sole sources) the first lever which would come to the mind of Purchasing Managers would be to create a competition rather than manage the relationship in a different way”* (Senior Corporate Purchasing Manager – Company C).
- *“There are clear limits to an integration of the supplier within our value chain. First it can be dangerous as we can be locked in for three years with a supplier. Furthermore, it can lead us to a loss of certain internal abilities”* (Global Purchasing Manager – Company B).
- *“We do not really want to develop our relationships with our suppliers, in the sense of making these relationships grow: we want to optimize these relationships. Otherwise the risk of dependency is too high...”* (Chief Sourcing Officer – Company A).

Even when collaboration is “theoretically” considered as a possible alternative to manage relationships with suppliers, companies do lack the ability (or do not want?) to change their practices. For instance, company D, experiences difficulties in attracting certain suppliers that do not want to enter the energy industry (constraints are too high). This company should develop its attractiveness, but all the four respondents we met keep on with discourses definitely centered on the “call for tender”, thus unable to imagine a new way too look at the suppliers market...

The traditional and long history of constant focus on savings (most of the time on price, rather than on TCO) has created purchasing organizations in line with this objective. Even if some buyers can see the interest of a closer type of relationship with suppliers they rarely have the skills to develop neither they have incentive to do it:

- *“KS Manager needs relational skills. Most buyers are “hammers” by nature, excellent negotiator but poor relationship managers. They look after the last “half cent”. A KS Manager is a facilitator for mutual business development”* (Global Procurement Director - Company J).
- *“We are not a major company on the market as a customer. We mainly buy commodities. So we know that we should do something different with suppliers, and not use traditional buying levers. But this is my vision, and our buyers still behave like traders or brokers more than relationships managers...”* (Global Procurement Director - Company J).
- *“I’ve had to persuade people of the advantages of a relational approach of suppliers, and the most difficult to convince were the buyers. People from the BU were much more receptive and saw more clearly the benefits of a collaborative approach of suppliers. They were interested by a sustainable business with supplier. Buyers were too much focused on their objectives, ignoring the BU’s objectives”* (Head of Procurement Intelligence - Company I).
- *“People could see the value to manage suppliers differently but were not rewarded for that! Only savings were on the spot”* (Head of Procurement Intelligence - Company I).

For those organizations that were convinced on the benefits to have a closer collaboration with suppliers, they were lacking on how to manage the transition to different relationship governance. Three companies (F, H & I) nominated specific champions to set-up the process, train and guide the teams on the implementation.

- *“My role was to facilitate and be sure that the program is running. I would be a support to KSM in case of internal or external difficulties”* (Global Procurement Director - Company J).

These results are in line with the recent survey conducted by Mc Kinsey (see Hardt, Reinecke and Spiller, 2007) where it is stated that: *“for many companies, purchasing hasn’t gone beyond its transactional origins”* (p. 116). Cousins and Spekman (2003) do share a similar skepticism relative to a possible value-orientation of purchasing when they write: *“one cannot expect innovation or other value adding skills to be applied if the supplier is being forced to focus on price”* (p. 24). Corsten and Felde (2005) also raise the problem of indicators and metrics used

for purchasing that inevitably focus on savings and are then detrimental to any long-term collaborative orientation. The authors call for a modification of those measures: *“innovation and overall financial performance are rarely used to evaluate the purchasing department. In order to overcome potential obstacles en route to collaboration with key-suppliers the performance measures used to evaluate purchasing need to be changed”* (p. 458). Another interesting parallel can be made with the work from Caniëls and Gelderman (2007) where the author show that even in the Kraljic’s strategic quadrant (where partnerships is recommended as a strategy) the buyers (from their sample) *“perceive an asymmetric power balance: from the buyer’s perspective the supplier dominates the relationship”* (p. 226). Such a result leads the authors to recommend that *“even in satisfactory relationships, buyers should explore the market by scouting for alternative suppliers and determining their competencies”* (p. 227). Value is looked for in the market not in the relationships with the suppliers.

3RD BARRIER TO KSM IMPLEMENTATION: AN EVERLASTING LACK OF PURCHASING INTEGRATION WITH OTHER INTERNAL FUNCTIONS

Finally, for the purchasing managers from our sample, the purchasing function still has difficulty positioning itself as a real boundary-spanning function which could allow it to appear legitimate to analyze signals sent by the supply network and to take over these signals internally. This is seriously hampering any attempt for KSM to emerge as a coordination function not only internally but also externally:

- *“We could observe the difficulty of integration due to the lack of purchasing sensitivity to the business”* (Global Procurement Director - Company J).

Different comments on the “status” of purchasing relative to a KSM mission have been formulated:

- *“I do not have the status to go and speak with the Head of R&D. The R&D department works directly with suppliers with no participation of the purchasing department”* (Raw Material Sourcing Manager – Company A).
- *“We have the feeling that R&D is the boss, and that we are not buying for the company”* (Global Purchasing Manager - Company B)

This insulation of purchasing within its own company may also appear as a consequence of a function which has for too long been living on its own, or in other words the autonomy claimed by purchasing reaches its limits:

- *“We’ve got a sort of tradition of autonomy in purchasing, and this may explain our limited influence within the firm”* (Raw material sourcing manager – Company A)

In the other hand, Company H, has reached a high level of integration to business since the launch of their KSM program in 2006 .The following comment then shows how things have changed in this company:

- *“Today we have a deep understanding of the business strategy. We can share it with our Key Suppliers, which is essential for KSM. Purchasing, R&D and the Business work together towards the same direction. We decide together about the future and the suppliers we want to have. Decisions are made for the long term with a global vision. It was not the case in the past. It took us several years to reach this point. In the past R&D would drive supplier portfolio decisions, today we are responsible for it”.*

These results may appear as relatively consistent with several works. For instance, if Monczka *et al.* (1998) define the purchasing function as a *“boundary-spanning function”* (p. 133) between suppliers and different internal function (Manufacturing, Quality, R&D, Finance, Marketing) they nevertheless stress that other departments take part into the buying process by managing direct contacts with suppliers thus altering the efficiency of the purchasing department. As a conclusion they qualify the relationships between purchasing and other internal functions as being critical. The same with Leenders *et al.* (2006) for whom one important challenge for the purchasing function is to extend its influence within the firm. Leenders *et al.* (1994) underlined that *“purchasing will have to become a regular player on the*

team, rather than a provider of support” (p. 42). Very recently, Bals, Hartmann and Ritter (2009) – working on the specific case of services purchasing - put into evidence that “*Often, major decisions [...] are done [...] with hardly any integration of the purchasing department*” (p. 898). Spekman (1979) clearly referred to such a situation more than 30 years ago: “*traditionally, purchasing agents were viewed as order takers/expeditors and, as a consequence, much of their boundary spanning activity was preempted by other departments*” (Spekman, 1979, p. 106). Does this mean that things have not changed since these times?

IMPLICATIONS

Our qualitative findings provide some material that can serve as a basis to discuss several aspects of KSM implementation.

As elements of discussion we first of all recommend examining the idea of a possible asymmetry between purchasing and marketing perspectives which leads to consider KSM implementation as different from KAM implementation. Several authors have (on the contrary) supported the idea of symmetry (Enis and Smith 1977; Olsen and Ellram, 1997; Williams *et al.*, 1994; Spekman *et al.*, 1998; Ojasalo, 2002; Anderson and Rask, 2003). For Olsen and Ellram: “*marketing and purchasing are essentially mirror images*” (p. 102). Spekman, Kamauff and Myhr (1998) soon identified the similarity between KAM and KSM as phenomena affecting the two ends of the supply chain: “*managers have long acknowledged the importance of getting close to their key customers. Now that this logic has extended upstream as well, it is also important to forge close ties to one’s key suppliers*” (p. 632). For Ojasalo (2002) the KSM issues can be approached in the same way as KAM issues insofar as “*the principles of key supplier management are the mirror image of KAM*” (p. 269). In their research work on supply chain management, Andersen and Rask (2003) focus on a KSM that they consider “*analogous to a KAM at the selling end of the marketing dyad*” (p. 93).

Taking into account the empirical findings of our survey, we question the relevance of this symmetry taken for granted. For instance, “doing more” with a customer is considered as a good marketing orientation, but doing more with a supplier does not support the same meaning (cost increase, risk of dependence...). Thus value creation does not seem to be conceptualized in the same way on the marketing side and on the purchasing side of the company.

Adopting a managerial point of view, we suggest a KSM position within the company that should be distinguished from the purchasing position. KSM could appear as “an additional layer” in the organization, thus providing the company with a new organizational device to manage “relationships” with suppliers. If the focus of purchasers’ activity remains categories of products or services bought, the focus of key supplier managers should be the relationship, and their purpose should be the combination of resources between their company and one or several key supplier(s). In a word, key supplier managers are not going to represent purchasing managers: they are two complementary devices to manage suppliers. This would inevitably raise the fundamental question of the integration between both functions and the possible danger of creating a hierarchy between them.

From a theoretical point of view our results contribute to enriching scarce knowledge about KSM. More generally these results enlighten the topic of changes in supply management strategies (Carter *et al.*, 2007). The limitations of this study are linked firstly to its qualitative nature (avoiding any generalization) and secondly to the difficulties to grasp the observed phenomenon: when are observed practices KSM ones or not? All of these points offer interesting developments to refine the design of further research.

References

- Andersen, P. H., Rask, M., 2003. Supply chain management: new organisational practices for changing procurement realities. *Journal of Purchasing & Supply Management*, 9, 83–95.
- Bals, L., Hartmann, E., Ritter, T., 2009. Barriers of purchasing departments' involvement in marketing service procurement. *Industrial Marketing Management*, 38 (8), 892-902.
- Bensaou, M., 1999. Portfolios of Buyer–Seller Relationships. *Sloan Management Review*, 41 (summer), 35–43.
- Caniëls, M. C. J., Gelderman, C. J., 2007. Power and interdependence in buyer supplier relationships: A purchasing portfolio approach. *Industrial Marketing Management*, 36 (2), 219-229.
- Carr, A. S., Smeltzer, L. R., 1999. The relationship of strategic purchasing to supply chain management. *European Journal of Purchasing & Supply Management*, 5, 43-51.
- Carr, A. S., Pearson, J. N., 1999. Strategically managed buyer–supplier relationships and performance outcomes. *Journal of Operations Management*, 17 (5), 497-519.
- Carter, P. L., Carter, J. R., Monczka, R. M., Blascovich, J. D., Slaughter, T. H., Markham, W. J., 2007. Succeeding in a dynamic world. Supply management in the decade ahead. CAPS Research Report, 138 p.
- Cousins, P. D. (2002). A conceptual model for managing long-term inter-organisational relationships. *European Journal of Purchasing & Supply*, 8, 71–82.
- Cousins, P. D., Spekman, R., 2003. Strategic supply and the management of inter and intra-organizational relationships. *Journal of Purchasing & Supply Management*, 9 (1), 19–29.
- Corsten, D., Felde, J., 2005. Exploring the performance effects of key-supplier collaboration. An empirical investigation into Swiss buyer-supplier relationships. *International Journal of Physical Distribution & Logistics Management*, 35 (6), 445-461.
- Dyer, J. H., 1996. Specialized Supplier Networks as a Source of Competitive Advantage: Evidence from the Auto Industry. *Strategic Management Journal*, 17 (4), 271-291.
- Enis, B. M., Smith, S. V., 1977. Is purchasing management to buying as marketing is to selling. *Journal of the Academy of Marketing Science*, 5 (1), 27-36.
- Gadde, L.-E., Hakansson, H., 1994. The changing role of purchasing: reconsidering three strategic issues. *European Journal of Purchasing and Supply Management*, 1 (1), 21-35.
- Gadde, L.-E., Snehota, I., 2000. Making the Most of Supplier Relationships. *Industrial Marketing Management*, 29 (4), 305–316.
- Gelderman, C. J., van Weele, A. J., 2005. Purchasing Portfolio Models: A Critique and Update. *Journal of Supply Chain Management*, 41 (3), 19-28.
- Gelderman, C. J., Semeijn, J., 2006. Managing the global supply base through purchasing portfolio management. *Journal of Purchasing and Supply Management*, 12 (14), 209-217.
- Håkansson, H., Snehota, I., 1995. *Developing Relationships in Business Networks*, London: Routledge,
- Hardt, C.W., Reinecke, N., Spiller, P., 2007. Inventing the 21st-century purchasing organization, *Mckinsey Quarterly*, N° 4.
- Harland, C. M., Lamming, R. C., Cousins, P. D., 1999. Developing the concept of supply strategy. *International Journal of Operations & Production Management*, 19 (7), 650-674.
- Hartmann, E., Ritter, T., Gemuenden, H. G., 2001. Determining the Purchase Situation: Cornerstone of Supplier Relationship Management. Communication to the 17th IMP Conference, Oslo, Norway.
- Hartmann, E., Ritter, T., Gemuenden, H. G., 2004. Determining the Purchase Situation: A Comprehensive View on Customer Behaviour. *Journal of Customer Behaviour*. 3 (3), 335-349.

- Henneberg, S. C., Pardo, C., Mouzas, S., Naudé, P., 2009. Value dimensions and relationship postures in dyadic 'Key Relationship Programmes. *Journal of Marketing Management*, 25 (5), 535-550.
- Homburg, C., Workman, J. P. Jr., Jensen, O., 2002. A Configurational Perspective on Key Account Management. *Journal of Marketing*, 66 (2), 38-60.
- Ivens, B. S., Pardo, C., Tunisini, A., 2009. Organizing and integrating marketing and purchasing in business markets: An introduction to the special issue, issues and implications. *Industrial Marketing Management*, 38 (8), 851-856.
- Ivens, B. S., Pardo, C., Salle, R., Cova, B., 2009. Relationship keyness: The underlying concept for different forms of key relationship management. *Industrial Marketing Management*, 38 (5), 513-519.
- Johnson, P. F., Leenders, M. R., 2001. The supply organizational structure dilemma. *Journal of Supply Chain Management*, 37 (3), 4-11.
- Johnson, P. F., Leenders, M. R., Fearon, H. E., 1999. The chief purchasing officer: previous background and experience. *European Journal of Purchasing & Supply Management*, 5 (2), 95-101.
- Johnson, P. F., Leenders, M. R., Fearon, H. E., 2006. Supply's Growing Status and Influence: A Sixteen-Year Perspective. *Journal of Supply Chain Management*, 42 (2), 33-44.
- Kraljic, P. (1983). Purchasing Must Become Supply Management. *Harvard Business Review*, September-October.
- Leenders, M. R., Johnson, P. F., 2000. Major Structural Changes in Supply Organizations, CAPS Research Report.
- Matthyssens, P. B., van den Bulte, C., 1994. Getting closer and nicer: partnerships in the supply chain. *Long Range Planning*, 27 (1), 72-83.
- Missirilian, O., Calvi, R., 2004. Key Supplier Manager (KSM): an emerging function in purchasing? Communication to the 20th IMP Conference, Copenhagen, Denmark.
- Monczka, R.M., Trent, R.J., Handfield R.B., 1998, 2nd edition, 2005. *Purchasing and Supply Chain Management*, International Thomson Publishing,
- Ogden, J. A., Petersen, K. J., Carter, J. R., Monczka, R. M., 2005. Supply Management Strategies for the Future: A Delphi Study. *Journal of Supply Chain Management*; 41 (3), 29-48.
- Ojasalo, J., 2002. Key Account Management in information-intensive services. *Journal of Retailing and Consumer Services*, 9, 269-276.
- Olsen, R. F., Ellram, L. M., 1997. A portfolio approach to supplier relationships. *Industrial Marketing Management*, 26 (2), 101-113.
- Pardo, C., Salle, R., Spencer, R., 1995. The Key Accountization of the Firm. *Industrial Marketing Management*, 22 (1), 123-134.
- Pardo, C., Henneberg, S. C., Mouzas, S., Naudé, P., 2006. Unpicking the meaning of value in key account management. *European Journal of Marketing*, 40 (11/12), 1360-1374.
- Piercy, N. F., 2009. Strategic relationships between boundary-spanning functions: Aligning customer relationship management with supplier relationship management. *Industrial Marketing Management*, 38 (8), 857-864.
- Rozemeijer, F. A., van Weele, A., Weggeman, M., 2003. Creating Corporate Advantage through Purchasing: Toward a Contingency Model. *International Journal of Supply Chain Management*, 4-13
- Sheth, J. N., Sharma, A., 1997. Supplier relationships: emerging issues and challenges. *Industrial Marketing Management*, 26, 91-100.
- Sheth, J. N., Sharma, A., Iyer, G. R., 2009. Why integrating purchasing with marketing is both inevitable and beneficial. *Industrial Marketing Management*, 38 (8), 865-871.
- Spekman, R.E., 1979. Influence and information: an exploratory investigation of the boundary person's basis of power. *Academy of Management Journal*, 22 (1), 104-117.

- Spekman, R.E., Carraway, R., 2006. Making the transition to collaborative buyer-seller relationships: An emerging framework, *Industrial Marketing Management*, 35(1), 10-19.
- Spekman, R.E., Kamauff, J.W., Myhr, N., 1998. An empirical investigation into supply chain management - A perspective on partnerships. *International Journal of Physical Distribution & Logistics Management*, 28 (8), 630-650.
- Wagner, S. M., Johnson, J. L., 2004. Configuring and managing strategic supplier portfolios. *Industrial Marketing Management*, 33 (8), 717-730.
- Weele, A. J. van., 2002. *Purchasing and supply chain management: analysis, planning and practice*. London: Thomson Learning.
- Wengler, S., Ehret, M., Saab, S., 2006. Implementation of Key Account Management: Who, why, and how?: An exploratory study on the current implementation of Key Account Management programs. *Industrial Marketing Management*, 35 (1), 103-112.
- Williams, A. J, Giunipero, L. C., Henthorne, T. L., 1994. The cross-functional imperative: The case of marketing and purchasing. *International Journal of Purchasing and Materials Management*, 30 (3), 29-33.
- Workman, J. P. Jr., Homburg, C., Jensen, O., 2003. Intraorganizational Determinants of Key Account Management Effectiveness. *Journal of the Academy of Marketing Science*, 31 (1), 3-21.
- Zupancic, D., 2008. Toward an integrated framework of key account management. *Journal of Business and Industrial Management*, 23 (5), 323-331.